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May 22, 2014

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H. *Jonathan E. Fielding MD*  
Director and Health Officer

SUBJECT: **STATUS REPORT ON DRUG MEDI-CAL PROGRAM**

This is to provide a status report on the actions the Department of Public Health (DPH) has taken to strengthen oversight of the Drug Medi-Cal (DMC) program based on the Auditor-Controller's recommendations issued in their October 18, 2013 report.

**Policy Changes**

In December 2013, the DPH-Substance Abuse Prevention and Control (SAPC) initiated regular meetings and conference calls with the California Department of Health Care Services (DHCS) to discuss ongoing issues affecting the DMC program and to identify program improvements. The purpose of these meetings is to develop a strong collaborative relationship with DHCS to mitigate potential irregular practices and to ensure the integrity of the DMC program.

As a result, the following policy and programmatic improvements have been made:

**DHCS**

- Expanded its certification process to require background checks by the State Department of Justice for individuals holding key positions within the DMC business organization.
- Modified recertification rules to eliminate one time certification process and to require all Drug Medi-Cal providers to be recertified by the State every five years. This will ensure that owners and operators are checked and cross-referenced with the Federal Office of Inspector General List of Excluded Individual and Entities and the State Department of Justice criminal database every five years to identify provider convictions for criminal activity in a timely manner.

- Established a communications protocol to coordinate media information requests to ensure information released about the DMC program by the State and the County are consistent to prevent contradictory or inaccurate information being released to the public.

### SAPC

- Assigned DPH staff to participate in DHCS contractor investigations to observe how State personnel identify irregular practices. Lessons learned are being used to improve SAPC's monitoring processes, described below.
- Provided DHCS with examples of additional security checks (e.g., work experience, financial stability, and staffing levels) that are used locally to enhance the State's contractor certification process. These additional security checks can avoid certification of potentially high risk providers.

SAPC and DHCS have worked collaboratively to establish a risk assessment model designed to categorize providers as low, moderate, or high risk. This will potentially identify risky high-volume providers prior to State certification.

In addition, SAPC and DHCS signed a data sharing agreement which includes:

- Audit reports that identify serious program deficiencies;
- Working papers;
- Data analytics;
- Client and personnel information;
- Billing details;
- Financial documents;
- Contractor's agreements;
- Counseling records; and
- Results from intelligence gathering.

The data sharing agreement significantly enhances our ability to assist each other in detecting potential irregularities and suspicious behaviors by DMC providers in a timely manner.

### **Contract-Related Activities**

DPH will soon be recommending to your Board approval of new DMC contracts, scheduled to take effect on July 1, 2014, that include additional contracting requirements and safeguards to improve program oversight of contract providers. These additional requirements include:

- LiveScan (finger print/background checks) for individuals holding key positions who do not have other SAPC-funded contracts.
- A 60-day reconciliation and recoupment process for denied claims.
- Penalties for failure to adhere to performance benchmarks within a specified timeframe.

These safeguards will help ensure program integrity and the timely recovery of denied claims and audit settlements, and provide for enhanced oversight of contract providers.

### **Contract Monitoring**

In July 2014 SAPC will implement a new monitoring system using electronic tablet mobile devices. The use of these devices will provide SAPC monitors with onsite access to all current and historical information related to the provider's fiscal status and programmatic performance, individual client information and services reimbursed for the client, and the electronic submission of monitoring reports and corrective action plans.

As of December 30, 2013, all County fiscal audits and DHCS utilization and fiscal audits have been centralized and stored in a secure and shared SAPC network directory. SAPC program monitoring staff are now required to:

- Review the findings from these audits by outside entities as part of their pre-monitoring activities.
- Conduct a follow up of all corrective action plans within thirty days of the corrective action plan completion due date to ensure all deficiencies cited in the corrective action plan have been satisfactorily addressed.

Additional monitoring protocols were also developed to:

- Require staff to elevate the results of serious deficiencies found during audits to the DPH executive management and other high-level County officials and place poor performing contractors in the County's Contractor Alert Reporting Database.
- Require staff to actively track all provider performance improvement plans to ensure they are received by the required deadline.
- Withhold payments from providers that fail to submit timely and acceptable performance improvement plans.

All staff has been trained on the new protocols and providers were notified of these changes during quarterly provider meetings. In addition, SAPC is continuing to look at ways to apply strengthened monitoring protocols to other non-DMC contracts.

### **Finance**

The following improvements were made in the areas of billing system enhancements, eligibility determination, and collections for delinquent or terminated accounts. These improvements reduce improper and denied claims by the State, and increase the County's ability to collect from delinquent or terminated providers.

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- An enhanced online DMC billing system that allows real-time tracking and reconciliation of claims denied by the State was implemented in March 2014. The enhanced system requires DMC providers to resubmit a corrected valid claim within 60 days of notification of denial or SAPC will recover the denied claims from future payments.
- Obtained access to the State MEDS data file that enables SAPC to verify Medi-Cal eligibility prior to making payments to providers.
- Implemented protocols to refer all delinquent accounts and terminated contractors to the Treasurer and Tax Collector for collection.

We will report to your Board on any relevant developments as they occur. If you have any questions or need additional information, please let me know.

JEF:wf

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor Controller